OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

Issue Brief

Connecticut Health Insurance Reform Proposals

Health Insurance Reform

Recently, Connecticut's legislative leaders established health insurance reform as a priority for the 2021 legislative session and signaled their intent to continue building on recent proposals. Generally, these reform proposals focused on (1) establishing a "public option" health insurance program, (2) implementing a reinsurance program, and (3) lowering prescription drug costs. This issue brief summarizes these, and other recent health insurance reform proposals considered by the General Assembly. Unless otherwise noted, they have not become law.

Public Option Health Insurance

Under a "public option," the state or federal government offers a voluntary health insurance plan on the marketplace to compete with private insurers. During the last two years, the General Assembly considered three primary public option proposals: sHB 7267 (2019), sSB 134 (2019), SB 346 (2020). All three bills create a public option health insurance plan that meets minimum benefit standards and provides additional subsidies for eligible people, within available appropriations.

Additionally, the three public option health insurance bills require the comptroller to (1) apply for and implement a Section 1332 waiver (see "Health Reinsurance" below) and (2) either establish a group health insurance and pharmacy plan for multiemployer plans, nonprofit employers, and smaller employers, or allow these plans and employers to join the state health insurance plan. (Opening up the state health insurance plan to private employers may impact the state's federal Employee Retirement Income Security Act exemptions.)

Connecticut is not alone in considering the public option. In recent years, enabling legislation has been enacted in Colorado (HB 1004 – 2019) and Washington (SB 5526 – 2019).

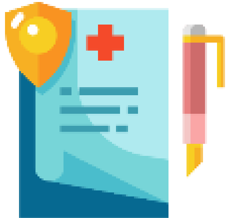
Health Reinsurance

A health reinsurance program reimburses health insurers for claims that exceed a certain threshold. This helps lower health insurance premiums by stabilizing health insurers' claim costs. With lower premiums, the state may direct federal funding that would otherwise have been spent on premium subsidies on the reinsurance program (i.e., "pass-through" funding). In recent years, the General Assembly considered at least two bills explicitly establishing reinsurance programs: sHB 7267, as amended by House A (2019), and SB 328 (2020).

States establish reinsurance programs through legislation and by obtaining a waiver, known as a Section 1332 Waiver or a State Innovation Waiver, from the federal departments of Health and Human Services (HHS) and Treasury. (HHS requires states to fully fund an approved program, regardless of the amount of pass-through funding.) In addition to the bills establishing a reinsurance program, the legislature considered three bills generally requiring the state to apply for a Section 1332 waiver (i.e., the public option bills).

Prescription Drug Costs

Recent policy proposals to reduce the cost of prescription drugs include prescription drug price capping, as well as prescription drug purchasing and importation programs. With respect to price capping, the legislature recently passed PA 20-4, §§ 13 & 14 (July Special Session) limiting how much certain insureds will pay out-of-pocket for insulin and other diabetes related drugs. Under the act, these costs may be limited to between $25 and $100 per month. Prescription drug purchasing programs leverage state buying power to reduce the cost of prescription drugs. For example, sHB 7174 (2019) allows the comptroller to purchase outpatient prescription drugs in bulk and make them available to individuals and pharmacies. HB 7174 did not become law. Finally, the legislature considered at least four bills establishing a program to import prescription drugs from Canada at lower prices than available in the United States and distribute them to Connecticut pharmacies: sHB 7267, as amended by House A (2019); SB 328 (2020); HB 5018 (2020), and HB 5366 (2020).



Additional Proposals

Office of Health Strategy (OHS) Benchmarks: The legislature has considered several bills since 2019 requiring OHS to set an annual health care cost growth benchmark for the state and establishing performance plan requirements for entities that exceed the benchmark (sHB 7267, as amended by House A (2019); SB 328 (2020); and HB 5018 (2020)). Although none of these bills became law, a January 2020 Executive Order (EO) requires OHS to establish this benchmark (EO 5, Jan. 22, 2020).

Individual Mandates. One health insurance reform tool that the legislature considered is an "individual mandate," which requires people to maintain health insurance (sSB 984 (2019)).

Controlling Assessments. Other health insurance proposals have focused on lowering costs by reducing tax or regulatory burdens. For example, SB 544 (2017) required the Health Insurance Exchange to receive approval from the Insurance and Real Estate Committee before increasing assessments or user fees, and SB 127 (2019) and SB 128 (2019) provide income tax deductions or credits for long-term care premiums.

Learn More

Current debates in health care policy: A brief overview, Brookings

Policies to Achieve Near-Universal Health Insurance Coverage, Congressional Budget Office

"State Health Reinsurance Programs," OLR Report 2018-R-0218

"Federal and State Individual Mandate Penalties," OLR Report 2018-R-0204

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